

**Senate Fiscal Agency  
Economic, Revenue, and Budget  
Forecast Highlights**

**Presented to the  
Senate Appropriations Committee**



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## Highlights of Senate Fiscal Agency Economic Forecast

- In a general sense, the current Senate Fiscal Agency (SFA) forecast of both the United States and Michigan economy represents a modest improvement from the January 2010 consensus economic forecast.
- Real Gross Domestic Product (GDP) will increase by 3.1% in 2010 and 2.5% in 2011. Real GDP declined by 2.4% in 2009.
- Light vehicle sales will total 11.6 million units in 2010 and 12.7 million units in 2011. Light vehicle sales in 2009 totaled 10.4 million units. Light vehicle sales averaged 16.6 million units during the 2002 through 2007 period.
- The share of the light vehicle market sold by General Motors, Ford, and Chrysler has declined from 73.0% of total sales in the mid-1990s to 43.0% in 2009. This has dropped sales from the three companies based in Michigan from 11.0 million units to 4.5 million units.
- National housing starts will increase by 109.4% between 2009 and 2011. The forecasted level of housing starts in 2011, 1.2 million units is well below the 2.0 million units of housing starts that occurred during the 2004 through 2007 period.
- Since the peak in employment in June 2000, Michigan has lost 864,700 jobs or a decline of 18.4%. Michigan has lost nearly two-thirds of the jobs in the motor vehicle manufacturing industry, 227,500 jobs, over this same time period.
- Michigan personal income will increase by 3.1% in 2010 and by 3.5% in 2011. This follows a decline of 1.7% in 2009. The 2009 decline in nominal personal income is the first annual decline since 1958.
- Michigan personal income per capita compared with the national average has dropped dramatically over the past decade. During 2000, Michigan personal income per capita ranked 18<sup>th</sup> among the states. During 2009, Michigan ranked 37<sup>th</sup> among the states and the ranking is expected to decline to 40<sup>th</sup> among the states in 2010.

## Highlights of Senate Fiscal Agency Revenue Estimates

- The revised Senate Fiscal Agency (SFA) revenue estimates are a significant decline in GF/GP and a significant increase in School Aid Fund (SAF) revenue from the January 2010 consensus revenue estimates.
- The major changes in the revenue estimates from the January 2010 consensus estimate is a decline in the Michigan Business Tax (MBT) estimate and an increase in the sales tax estimate.
- The revised SFA revenue estimates forecast a 13.2% decline in FY 2009-10 GF/GP revenue and a 5.0% increase in FY 2010-11 GF/GP revenue. The revised SFA revenue estimates forecast a 1.9% decline in FY 2009-10 SAF revenue and a 0.4% increase in FY 2010-11 SAF revenue.
- The FY 2009-10 GF/GP revenue estimate is down \$502.4 million from the January 2010 consensus estimate. The FY 2010-11 GF/GP revenue estimate is down \$249.9 million from the January 2010 consensus estimate.
- The downward revision of the MBT estimate accounts for 89.0% of the decline in the FY 2009-10 GF/GP estimate and 95.0% of the decline in the FY 2010-11 GF/GP estimate.
- The FY 2009-10 SAF revenue estimate is up \$255.2 million from the January 2010 consensus estimate. The FY 2011-11 SAF revenue estimate is up \$271.4 million from the January 2010 consensus estimate.
- The upward revision of the sales tax estimate accounts for 74.0% of the increase in the FY 2009-10 SAF estimate and 72.0% of the increase in the FY 2010-11 SAF estimate.

**Table 1**  
**FY 2009-10**  
**GENERAL FUND/GENERAL PURPOSE**  
**REVENUE, EXPENDITURES, AND YEAR-END BALANCE**  
**(Millions of Dollars)**

	SFA Estimate
<b>Revenue:</b>	
Beginning Balance.....	\$177.2
<b>Ongoing Revenue:</b>	
SFA Revenue Estimate .....	\$6,396.3
Revenue Sharing Savings .....	538.0
Shift of Short-Term Borrowing Costs to School Aid Fund .....	30.0
Use Tax on HMOs (PA 440 of 2008).....	342.8
Subtotal Ongoing Revenue .....	7,307.1
<b>One-Time Revenue:</b>	
Transportation Economic Development Fund Transfer to General Fund .....	12.0
Railroad Improvement Fund Transfer to General Fund .....	5.8
Liquor Purchase/Corporate Fees Transfer to General Fund.....	1.5
State Services Fee Fund Transfer to General Fund .....	1.6
21st Century Jobs Fund Transfer to General Fund.....	37.5
Subtotal One-Time Revenue .....	58.4
<b>Total Estimated Revenue.....</b>	<b>\$7,542.7</b>
<b>Expenditures:</b>	
Initial Appropriations .....	\$8,128.0
<b>Enacted Supplemental Appropriations:</b>	
Public Act 140 of 2009 .....	0.0
Public Act 145 of 2009 .....	0.0
Public Act 1 of 2010 .....	0.0
Public Act 2 of 2010 .....	0.0
Public Act 27 of 2010 .....	0.0
Public Act 36 of 2010 .....	9.5
Public Act 40 of 2010 .....	0.0
Public Act 47 of 2010 .....	0.5
Public Act 66 of 2010 .....	0.0
Subtotal Enacted Supplemental Appropriations .....	10.0
<b>Pending Supplemental Appropriations:</b>	
Community Health Caseload and Costs.....	64.5
Human Services Caseload and Costs .....	49.0
Human Services Other Adjustments.....	3.6
Medicaid Tobacco/Trust Fund Shifts .....	(147.0)
Higher Education/Human Services Fund Source Shift.....	0.0
State-Help America Vote State Match .....	0.3
County Jail Reimbursement Program Supplemental .....	2.2
Treasury-General Obligation Bond Debt Service .....	(12.5)
Subtotal Pending Supplemental Appropriations .....	(39.9)
<b>Other Expenditure Adjustments:</b>	
Employee Concessions .....	(27.5)
Corrections Administrative Efficiencies.....	(20.0)
Savings from Employee Benefit Reforms.....	(4.3)
Projected Year-End Appropriation Lapses .....	(50.0)
Subtotal Other Expenditure Adjustments .....	(141.7)
<b>Total Projected Expenditures.....</b>	<b>\$7,996.3</b>
<b>Projected Year-End Balance .....</b>	<b>(\$453.6)</b>

**Table 2**  
**FY 2009-10**  
**SCHOOL AID FUND**  
**REVENUE, EXPENDITURES, AND YEAR-END BALANCE**  
**(Millions of Dollars)**

	SFA Estimate
<b>Revenue:</b>	
Beginning Balance .....	\$238.2
Restricted SAF Revenue .....	10,713.3
GF/GP Grant.....	30.2
Federal Aid .....	1,617.6
ARRA-State Fiscal Stabilization Fund.....	450.0
<b>Total Estimated Revenue .....</b>	<b>\$13,049.3</b>
<b>Expenditures:</b>	
Enacted Appropriation .....	\$12,823.5
<u>Expenditure Adjustments:</u>	
Formula Cost Adjustments.....	(123.7)
Additional CEPI Federal Funding.....	15.9
Lower SAF Borrowing Cost from General Fund.....	(15.0)
<b>Total Appropriations.....</b>	<b>\$12,700.7</b>
<b>Projected Year-End Balance .....</b>	<b>\$348.6</b>

**Table 3**  
**FY 2010-11**  
**GENERAL FUND/GENERAL PURPOSE**  
**REVENUE, EXPENDITURES, AND YEAR-END BALANCE**  
**(Millions of Dollars)**

	SFA Estimate
<b>Beginning Balance</b> .....	<b>\$0.0</b>
<b>Ongoing Revenue:</b>	
SFA Revenue Estimate .....	\$6,718.5
Shift of Short-Term Borrowing Costs to School Aid Fund.....	45.0
Proposed Revenue Sharing Freeze .....	530.5
County Revenue Sharing-Payment Restoration.....	(59.4)
Use Tax on Health Maintenance Organizations .....	354.6
Enhanced Tax Enforcement Revenue.....	15.0
Subtotal Ongoing Revenue .....	7,604.2
<b>Proposed Revenue Adjustments:</b>	
College Tuition Tax Credit Elimination.....	8.8
Angel and Venture Capital Investor Tax Credit .....	(5.0)
Revenue Sharing Target Reduction .....	41.2
21st Century Jobs Fund Transfer .....	48.5
Secretary of State IT Work Project Transfer.....	6.0
State Services Fee Fund Transfer.....	5.0
Subtotal Proposed Revenue Adjustments.....	104.5
<b>Total Estimated Revenue</b> .....	<b>\$7,708.7</b>
<b>Expenditures:</b>	
Senate Appropriation Targets .....	\$8,045.5
Community Health Caseload/Costs .....	80.8
Human Services Caseload/Costs .....	(12.4)
Savings from Proposed State Employee Retirement Changes.....	(80.0)
<b>Total Recommended Expenditures</b> .....	<b>\$8,033.9</b>
<b>Projected Year-End Balance</b> .....	<b>(\$325.2)</b>

Table 4

**FY 2010-11 GF/GP APPROPRIATIONS  
GOVERNOR'S RECOMMENDATION VERSUS SENATE PROPOSAL  
(Actual Dollars)**

Department/Budget Area	Governor's Recommendation	Senate-Passed	Dollar Difference
Agriculture .....	\$28,828,700	\$30,297,100	\$1,468,400
Attorney General .....	29,168,000	28,580,100	(587,900)
Civil Rights .....	11,279,100	10,988,100	(291,000)
Community Colleges .....	299,100,500	289,940,500	(9,160,000)
Community Health .....	2,016,461,800	1,920,421,400	(96,040,400)
Corrections .....	1,875,904,500	1,908,576,700	32,672,200
Education .....	20,011,900	19,795,700	(216,200)
Energy, Labor, and Economic Growth .....	45,426,700	47,807,900	2,381,200
Executive .....	4,630,800	4,630,800	0
Higher Education .....	1,543,378,500	1,527,238,500	(16,140,000)
Human Services .....	959,205,300	915,456,100	(43,749,200)
Judiciary .....	152,731,100	151,573,100	(1,158,000)
Legislative Auditor General .....	11,155,000	11,155,000	0
Legislature .....	100,574,300	100,574,300	0
Military and Veterans Affairs .....	36,951,100	36,432,900	(518,200)
Natural Resources and Environment .....	42,104,300	41,341,500	(762,800)
School Aid .....	30,206,200	225,606,200	195,400,000
State .....	14,179,200	13,950,900	(228,300)
State Police .....	258,930,500	258,193,400	(737,100)
Technology, Management, and Budget .....	304,346,000	301,381,300	(2,964,700)
Transportation .....	0	0	0
Treasury (Debt Service) .....	119,394,700	119,394,700	0
Treasury (Operations) .....	59,647,200	58,474,400	(1,172,800)
Treasury (Revenue Sharing) .....	0	0	0
Treasury (Strategic Fund Agency) .....	23,088,200	23,681,500	593,300
<b>Total Appropriations .....</b>	<b>\$7,986,703,600</b>	<b>\$8,045,492,100</b>	<b>\$58,788,500</b>
<b>Restricted Revenue Adjustments:</b>			
Statutory Revenue Sharing Payments .....	\$429,062,400	387,862,400	(41,200,000)
21st Century Jobs Fund .....	75,000,000	26,500,000	(48,500,000)
<b>Subtotal Restricted Revenue Adjustments</b>	<b>\$504,062,400</b>	<b>\$414,362,400</b>	<b>(\$89,700,000)</b>
<b>Total GF/GP and Restricted Revenue...</b>	<b>\$8,490,766,000</b>	<b>\$8,459,854,500</b>	<b>(\$30,911,500)</b>

Table 5  
 FY 2010-11  
 SCHOOL AID FUND  
 REVENUE, EXPENDITURES, AND YEAR-END BALANCE  
 (Millions of Dollars)

	SFA Estimate
Beginning Balance .....	\$348.6
SFA Revenue Estimate .....	10,752.0
<b>Revenue Adjustments:</b>	
GF/GP Grant to School Aid Fund .....	225.7
Federal Aid .....	1,680.1
American Recovery and Reinvestment Act Funding .....	184.3
Treasury Reform .....	2.3
Lottery Reform .....	5.0
Subtotal Tax Policy Proposals .....	2,097.4
<b>Total Estimated School Aid Fund Revenue .....</b>	<b>\$13,198.0</b>
<b>Expenditures:</b>	
Senate Appropriation Target .....	\$12,656.3
Funding Formula Cost Adjustments .....	(22.0)
<b>Total Projected Expenditures .....</b>	<b>\$12,634.3</b>
<b>Projected Year-End Balance .....</b>	<b>\$563.7</b>